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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
DONEY PARK WATER, A MEMBER OWNED
NON-PROFIT CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS PROPERTY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RETURN THEREON, AND TO
APPROVE RATES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. W-01416A-10-0450

**STAFF'S SUMMARY OF PRE-FILED
TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the Witness Summaries of Staff Witnesses Darak R. Eaddy and Jian Liu in the above referenced matter.

RESPECTFULLY SUBMITTED this 4th day of October, 2011.

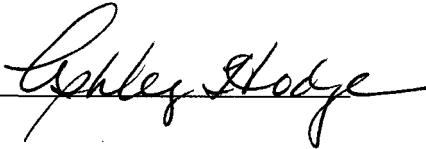
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Original and thirteen (13) copies
of the foregoing were filed this
4th day of October, 2011 with:

Docket Control
Arizona Corporation Commission
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Phoenix, Arizona 85007

1 Copies of the foregoing were mailed
2 this 4th day of October, 2011 to:

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SUMMARY OF DIRECT AND SURREBUTTAL TESTIMONIES
DONEY PARK WATER COMPANY
DOCKET NO. W-01416A-10-0450
STAFF WITNESS – DARAK R. EADDY

The testimony summary of Staff witness Darak R. Eaddy addresses the following issues:

Revenue Requirement

In its direct testimony, Staff recommended rates that would produce annual operating revenue of \$2,466,964 resulting in operating income of \$373,140 for a 14.93 percent operating margin or a 7.55 rate of return on a fair value rate base ("FVRB") of \$4,942,252. Staff's recommended revenue represents an increase of \$500,372, or 25.44 percent, over adjusted test year revenue of \$1,966,592.

In its surrebuttal testimony, Staff recommends rates that would produce annual operating revenue of \$2,553,369 resulting in operating income of \$381,218 for a 14.93 percent operating margin or a 7.71 rate of return on rate of return on a FVRB of \$4,942,252. Staff's recommended revenue represents an increase of \$586,777, or 29.84 percent, over adjusted test year revenue of \$1,966,592. Staff's recommended surrebuttal revenue requirement represents an \$81,435 increase from its direct testimony recommendation. Staff's recommended surrebuttal revenue requirement included coverage of additional operating expenses supported by documentation that has been verified since Staff filed its direct testimony.

Rate Design

In the test year the Company utilized seasonal summer and winter rates. In its direct testimony, Staff recommended rates that would increase the typical 5/8 x 3/4-inch meter residential bill with a median summer usage of 3,500 gallons from \$31.20 to \$38.75, for an increase of \$7.55 or 24.20 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median winter usage of 5,500 gallons from \$41.10 to \$53.75, for an increase of \$12.65 or 30.78 percent.

In its surrebuttal testimony, Staff recommended rates that would increase the typical 5/8 x 3/4-inch meter residential bill with a median summer usage of 3,500 gallons from \$31.20 to \$41.90, for an increase of \$10.70 or 34.29 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median winter usage of 5,500 gallons from \$41.10 to \$56.30, for an increase of \$15.20 or 36.98 percent.

TESTIMONY SUMMARY – OCTOBER 4, 2011
Doney Park Water for a Rate Increase
DOCKET NO. W-01416A-10-0450

Jian Liu

CONCLUSIONS:

1. Arizona Department of Environment Quality (“ADEQ”) regulates the Doney Park Water (“Doney Park” or “the Company”) water system under ADEQ Public Water System (“PWS”) #03-005. ADEQ has determined that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated May 20, 2011).
2. Doney Park is not located in any Arizona Department of Water Resources (“ADWR”) Active Management Area (“AMA”) and is not subject to any AMA reporting and conservation requirements. The Arizona Corporation Commission (“Commission”) Utilities Division Staff (“Staff”) received an ADWR compliance status report dated May 5, 2011. ADWR reported that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. Staff concludes that the Doney Park has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.
4. A check of the Commission’s Utilities Division Compliance Section database indicated no delinquent compliance items for Doney Park.
5. Staff inspected Lunar well site, ADWR Well ID No A(22-8) 26 abb. This well was drilled in 2007, and was not in service during Staff’s field inspection. Therefore, the Lunar well is not used and useful for purposes of this rate application.
6. Doney Park has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

RECOMMENDATIONS:

1. Staff recommends that the Company use Staff’s depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B of Exhibit JWL.

2. Staff recommends the annual water testing expense of \$27,262 reported by the Company be used for purposes of this application.
3. Staff recommends that the meter and service line installation charges listed under "Staff's Recommendation" in Table C be approved along with an installation charge of "At Cost" for meter sizes of 3-inch and larger.
4. Staff recommends that the Lunar well be not used and useful for purposes of this rate application.
5. The Company does not have an approved BMP tariff. Staff recommends that Doney Park be required to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least seven Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff, available at the Commission's website, for the Commission's review and consideration. A maximum of two of these BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories of the BMP's. The Company may request cost recovery of actual costs associated with the BMPs implemented in its next general rate application.